



## **SMALL BUSINESS ADMINISTRATION**

### **Procurement Scorecard Program; Treatment of Deobligations**

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Notice.

**SUMMARY:** The U.S. Small Business Administration (SBA) publishes an annual procurement scorecard (Scorecard) that scores agencies on their performance in contracting with small businesses. This notice sets forth SBA’s method for reflecting negative-dollar transactions (or “deobligations”) in the SBA scorecard starting with the Fiscal Year 2022 (FY22) scorecard. For purposes of calculating prime contracting achievements, SBA will exclude deobligations associated with certain older awards.

**FOR FURTHER INFORMATION CONTACT:** Mihaela Ciorneiu, Goaling Manager, Office of Government Contracting and Business Development, [Mihaela.Ciorneiu@sba.gov](mailto:Mihaela.Ciorneiu@sba.gov), (202) 205-7716. The phone number above may also be reached by individuals who are deaf or hard of hearing, or who have speech disabilities, through the Federal Communications Commission’s TTY-Based Telecommunications Relay Service teletype service at 711.

### **SUPPLEMENTARY INFORMATION:**

#### **I. Background**

SBA issues an annual Scorecard to score Federal agencies on creating the maximum practicable opportunities for the award of prime contracts and subcontracts to small business concerns, small disadvantaged businesses (SDBs), women-owned small businesses (WOSBs), HUBZone small business concerns, and service-disabled veteran-owned small business concerns (SDVO SBCs). Sec. 868, Pub. L. 114–92, 129 Stat. 933 (November 25, 2015). SBA bases an agency’s score on several weighted factors, the most

significant of which is the percentage of prime contracting dollars awarded to small businesses.

SBA receives the prime contracting data for the annual Scorecard from the Federal Procurement Data System (FPDS), through a special data extract prepared by the Integrated Acquisition Environment (IAE), part of the U.S. General Services Administration (GSA). In recent years, it has become apparent to SBA that FPDS's method for recording deobligations skews certain agencies' prime contracting figures, and, by extension, the annual Scorecard inaccurately reports those agencies' small businesses dollars awarded in that fiscal year.

A deobligation is an accounting transaction to reconcile an agency's obligations with its disbursements. When an agency awards a contract, the agency records an obligation in FPDS at the date of the award. FPDS does not reflect disbursements, however, so, in cases where the obligation exceeds the agency's disbursements, agencies will record a deobligation so that the total of obligations matches the total of disbursements. Deobligations appear in FPDS as a negative-dollar transaction in the fiscal year that the agency records its deobligation.

Even though the deobligation appears as a negative-dollar transaction, the agency did not award a negative-dollar contract. The deobligation is for accounting purposes and is used to show that the agency disbursed less on the contract than had been originally obligated. However, as noted above, the deobligation is recorded in the year that deobligation occurred, which can be in a different year from when the obligation was recorded.

For the purposes of SBA's Scorecard, a problem arises when the agency records the deobligation in a fiscal year different from the year in which the agency recorded the obligation, particularly when the obligation was for a small-business award. The deobligation on a small-business award (or WOSB, HUBZone, SDVO SBC, or SDB

contract) is recorded in FPDS as a current-day negative-value transaction, even though the deobligation is an accounting transaction to offset the earlier contract award. This transaction decreases the agency's contracting dollars in FPDS for the current fiscal year, thus creating discrepancy on the agency's performance on that year's SBA Scorecard.

SBA was alerted to this problem on September 10, 2020, via letter from the Chair of the Federal Office of Small and Disadvantaged Business Utilization Directors Interagency Council (OSDBU Council). SBA then received a letter from the Deputy Secretary of the U.S. Department of Housing and Urban Development (HUD) on September 30, 2020. Both sources expressed concern that deobligations make agencies' small-business achievements unpredictable and uncertain.

## II. Data Analysis and Agency Collaboration

After receiving the OSDBU Council and HUD letters, SBA analyzed the FPDS data to examine the effect of deobligations on agencies' prime contracting achievements on SBA Scorecard. SBA rejected the idea of excluding all deobligations from the Scorecard because it is quite common for an agency to obligate and deobligate funds on an award in the same fiscal year. SBA also considered but rejected the idea of excluding all deobligations associated with contracts awarded in prior fiscal years because doing so would present an opportunity to agencies to raise their Scorecard scores by obligating small-business dollars at the end of one fiscal year and then immediately deobligating in the next fiscal year.

Furthermore, deobligations occur on all types of awards, including those held by other-than-small contractors. SBA found it incongruous to apply a treatment simply to deobligations of small-business awards.

SBA thus analyzed what effect it would have to exclude deobligations that are associated with awards for which the last positive obligation occurred more than one fiscal year prior. The exclusion changed the governmentwide small-business prime-

contracting percentage by less than a tenth of a percentage point. For certain agencies, however, the exclusion significantly impacted the agency's prime-contracting achievements.

SBA shared these results with the Small Business Procurement Advisory Council (SBPAC) at the group's January 2022 meeting and solicited feedback from the SBPAC members. At the February 2022 meeting of the OSDDBU Council, SBA further discussed the results and the proposal adopted below. SBA later updated the SBPAC at that body's February 2022 meeting.

### III. Exclusion for Deobligations

Starting in the Scorecard for FY 2022, SBA will interpret "awards" for the purposes of the Scorecard program to exclude certain deobligations that, when included in the Scorecard, present a distorted view of the opportunities for small businesses to participate in Government contracts with Federal agencies. Specifically, SBA will exclude deobligations that are associated with prime awards for which the most recent positive-dollar obligation was from a year earlier than the most recent prior fiscal year.

SBA will identify the deobligations to be excluded by determining whether the deobligation is on an award (defined by the combination of Procurement Instrument Identifier (PIID) Indefinite Delivery Vehicle PIID (IDV PIID)) that does not have a positive obligation in the current fiscal year or prior fiscal year. The deobligations identified for exclusion will be removed from the current-year Scorecard calculations regardless of whether the transaction was associated with a small business or an other-than-small business.

The following examples illustrate this deobligations exclusions method:

Example 1: Agency A awards Contract X for \$1 million, obligating \$1 million in FY22 to a small business. Agency A deobligates \$1 million on Contract X in FY22. The deobligation is not excluded, and the total obligation for Contract X is \$0 for FY22.

Example 2: Agency B awards Contract Y for \$1 million, obligating \$1 million in FY17 to an other-than-small business. Agency B then obligates \$1 million in each of FY18, FY19, FY20, and FY21 on Contract Y. Agency B then deobligates \$1 million on Contract Y in FY22. The deobligation is not excluded as it has the same contract identifier as a contract that had a positive obligation not more than one fiscal year prior. The total obligation for Contract Y for FY22 is negative \$1 million.

Example 3: Agency C awards Contract Z for \$1 million, obligating \$1 million in FY11. Agency C then obligates \$1 million in each of FY12, FY13, FY14, and FY15. Agency C then deobligates \$1 million on Contract Z in FY22. The deobligation is excluded from the FY22 Scorecard calculations because the most recent positive obligation was from more than one fiscal year prior. The total obligation for Contract Z for FY22 is \$0. This exclusion applies regardless of whether Contract Z was awarded to a small business or an other-than-small business.

SBA will track excluded obligations for FY22 and beyond and will continue monitor and refine this methodology as necessary.

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